



City of Durham | North Carolina

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To: Thomas J. Bonfield, City Manager
Through: Keith Chadwell, Deputy City Manager
From: Reginald J. Johnson, Director
Department of Community Development
Subject: Southside Multi-Family Rental and Homeownership Update

Southside East Phase 1 Multi-Family Rental Construction

The Southside East Phase 1 redevelopment effort will be marketed as the Lofts at Southside. The first phase of the development will consist of 119 multi-family units and 13 live-work units with eighty of the units being affordable to families earning 60% or below of the area median income. Of the eighty affordable units, 20 units will be available to families earning 30% or below, 13 units available to families at 50% or below with 47 units being offered to families earning 60% or below of the area median income.

McCormack Baron Salazar Inc. (MBS), the developer for the Lofts at Southside received an allocation of Low Income Housing Tax Credits in 2011 requiring a placed in service date of December 31, 2013. Due to extensive environmental remediation at the site and significant rain events, and after additional costs to accelerate construction in an effort to meet the December 31, 2013 deadline, it became apparent that the units would not be finished by the placed in service date. Through continued meetings and correspondence with the North Carolina Housing Finance Agency (NCHFA), the agency agreed to make a change in their 2104 Qualified Allocation Plan (QAP), which governs the rules of the state's tax credit program. The 2014 QAP was formally approved in December of 2013 and with the change, the project was allowed to return the 2011 allocation and receive a like allocation of 2014 tax credits. This will allow an extension of the placed in service date until December of 2014. The change required an additional fee to the NCHFA in the amount of \$100,160.00 and did not allow MBS to apply for 2014 tax credits.

HJ Russell & Company – Metcon, Inc. a Joint Venture is the general contractor for the construction of the 132 units which consists of 12 buildings. All buildings are currently under construction except for Building 2. Buildings 1, 3, 4 and 6-12 are estimated to be completed in early April 2014 and Building 5 has an estimated completion date in late April 2014. Building 2 has undergone design changes and a subcontractor rebid process and construction is scheduled to begin in April of 2014 with a completion date in November of 2014. The completion of remaining site work is weather dependent and includes the installation of the parking areas for Buildings 1-12, construction of the pool and pool house, site lighting, sidewalks, irrigation, benches, bike racks and landscaping for the entire site. The landscaping requirements for the site will be bonded by the general contractor which will allow for the issuance of conditional certificates of occupancy upon final approval by all

disciplines. Completion of site work will allow for occupancy of the completed units. Additionally, the pedestrian mall which will be utilized for construction access to Building 2 has a projected completion date in the fall of 2014. The pond area has a number of remaining tasks to include forming and placement of the interior walls, completion of the terrace areas to include landscaping and planting and the installation of fencing and lighting around the perimeter of the pond with an anticipated completion date in summer 2014.

McCormack Baron Ragan (MBR) will be responsible for the marketing, lease up and management of the development and has leased and staffed office space at the Golden Belt facility. Beginning in December of 2013, MBR was only accepting informational cards which created a database of approximately 250 interested tenants. They are currently accepting applications from the community and reaching out to the persons that completed informational cards in an effort to begin the lease up process. Upon completion of their office space at Building 1, they will permanently relocate to the site with the leasing/occupancy of units anticipated to begin in May of 2014. Marketing materials have been created to include the design of a website, brochures and other media efforts such as Rent.com and Apartment Finder.com. MBR will reach out to businesses, local colleges and universities, government agencies, as well as housing support service agencies which assist in helping families and individuals acquire housing. Additionally MBR looks to begin a preferred employer program that will offer move in specials to entice employees to visit and lease from The Lofts at Southside.

Southside West Homeownership

Development Schedules:

On January 22, 2013, the City of Durham issued a bid package for the partial demolition and removal of existing street surfaces and infrastructure, installation of erosion and sedimentation control measures and mass grading of 48 properties located along South Street, W. Piedmont Avenue, Scout Drive and Hillside Avenue in the Southside neighborhood. Additional specifications included the installation of new street surfaces, curbs, sidewalks, street trees, water and sewer lines and storm drainage to serve all 48 homeowner units. DH Griffin Infrastructure, Inc. (DHGI) was the lowest responsible bidder with a total contract amount of \$1,908,863.00 which includes a contingency amount of \$248,982.00. The contract was presented to and approved by City Council at its April 15, 2013 meeting. Work is underway with the mass grading of the site complete along with the installation of the new water and sewer services along Hillside Avenue. New water and sewer installations continue along South and Chestnut Streets and West Piedmont Avenue. Remaining tasks include completion of the installation of new services, installation of retaining walls and gateways at South and Fargo Streets, the paving of Hillside Avenue and the milling and the paving of the 1 inch overlay of South and Chestnut Streets and West Piedmont Avenue and the final grading for the remaining parcels.

On December 16, 2012, the City of Durham issued a Request for Qualifications (RFQ) soliciting qualifications for homebuilders to construct up to 48 single-family homes as part of the Southside neighborhood redevelopment. On January 29, 2013, four firms responded to the RFQ. An evaluation committee met and reviewed each proposal and selected two companies to recommend to City Council for approval. The two firms Andrew Roby, General Contractor and B. Wallace Construction was presented to and approved by City Council at its April 15, 2013 meeting.

In July of 2013, Community Development closed on acquisition number 71 of the 71 properties to be acquired from Self Help. This allowed for the submittal of the recombination plat for the 48 lots to the Planning department for review which was approved by the Planning department and is the guiding document for the development of the 48 lots.

Construction is underway with each builder constructing two homes each at South and Fargo Streets. Additionally, six lots have been reserved on Hillside Avenue with construction to begin upon completion of paving of the street. The builders continue to market the neighborhood and are seeing positive responses to their efforts. Their marketing efforts include a website dedicated to Southside, <http://bwallacebuilt.com/communities/southside/> and <http://robysouthsidehomes.com/>, social media, marketing materials and public information sessions to promote the development and to inform the public of the incentives available for homeownership. City staff will appear on City Hall This Week and accompany the builders at the Homebuyers Fair at Southpoint Mall on March 1, 2014. The incentives, crafted by the Department of Community Development, will make homeownership affordable for low to moderate income buyers. The program provides the incentives to the buyer as opposed to writing down construction costs in order to further the objective of establishing higher market values necessary to attract long term private investment. Staff presented a report on the proposed assistance and incentives for low to moderate income homebuyers in the Southside project area at the April 4, 2013 City Council work session.

Staff met with Duke University on February 20, 2014 to discuss additional ways to reach out to Duke employees on the University and Health Services side of their institutions. Newly developed materials were provided to the Duke team on targeting moderate-income employees to participate in Southside home purchases, including using the \$10,000 Duke incentive. The University was offered Duke specific builder workshops that could be conducted at Duke specific venues. Duke is considering how they may best present the information and will follow up with Community Development which will assist in presentation of the material along with the two builders in Southside.

Section 3 and SDBE Participation

Efforts continue in the Southside Neighborhood to recruit Housing and Urban Development (HUD) Section 3 residents. Currently, there are 80 plus participants in the Section 3 database with a total of twenty-six receiving employment as a result of Section 3 efforts. With the potential for 52 new hires on the Southside East site, 50% of the new hires are Section 3 residents. Of the twenty-six receiving employment, eight were residents of the Southside community. Two were hired with a demolition contractor Bauchom Demolition during an earlier demolition package in the neighborhood, while the other six are employed as part of the Southside East multi-family rental development. Revised databases of residents are submitted weekly by the City of Durham to Right Build International, Inc. who is responsible for all hiring related to the Southside East Multi-Family Rental development.

SDBE participation is currently at 37.5% minority and 8.5% women. The established goals were 20% minority participation and 10% women.

Upcoming Agenda Items

Amendment to MBS Loan Agreement – MBS is seeking additional financial assistance in the form of a loan amendment to their existing agreement for costs related to the delays in the site turnover due to the environmental remediation at the site. Staff is currently reviewing the request and discussing with the Manager's office.

Southside East Site Prep and Public Improvements Design and Engineering – A CDBG Agreement with MBS for the design and engineering and bid package for additional site prep and public improvements needed for the remaining 13 acres of the site.

Lofts at Southside Phase 2 Predevelopment Agreement – A Predevelopment Agreement with MBS that will provide assistance with tasks related to rezoning, architectural plans and specifications, site and landscape design and mechanical, plumbing and electrical building design for the Phase 2 multi-family rental development effort.

Design Costs for Beamon Place Redevelopment Effort (Southside West Homeownership) – Costs associated with the design of the Beamon Place redevelopment to include architectural, site design for civil/site preparation for new infrastructure improvements and mechanical, plumbing and electrical building design for the phase 2 homeownership effort.

Southside West Additional Site Prep and Infrastructure – The agenda item will be presented at the March 6, 2014 City Council work session.